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SUBJECT: AUSTR WEISEL DISCUSSES TRANS-PACIFIC PARTNERSHIP (TPP) AND
TRADE POLICY IN MALAYSIA

¶1. (SBU) Summary: Malaysian trade officials expressed interest in the Trans Pacific Partnership during meetings with Assistant U.S. Trade Representative (AUSTR) Barbara Weisel on November 17, but noted that, having been focused on the bilateral FTA, Malaysia had not yet seriously considered whether to seek to participate in the initiative. They said the Najib administration was working on domestic policy reforms that could potentially enable Malaysia to join the negotiations if the Cabinet voted to support that proposal.

AUSTR Weisel made it clear that the TPP members were determined to conclude a comprehensive, high-standard "21st century agreement". TPP members, she added, would welcome additional economies into the negotiations, but Malaysia would need to be ready to negotiate based on the high-standards set by TPP members. End Summary.

¶2. (SBU) In a meeting on November 17, Ministry of International Trade and Industry (MITI) Secretary General Rahman told visiting AUSTR Weisel that the Government of Malaysia understood that the U.S. would be shifting its emphasis from bilateral to regional trade negotiations. Rahman noted that MITI had been preparing a paper to present to Cabinet seeking a mandate on key outstanding issues related to concluding the bilateral FTA and would now revise that paper to also raise questions related to participation in TPP. While Malaysia had not yet considered seriously whether it would be interested in joining the TPP, Rahman said he believed given the U.S. shift to a regional focus and the participation of countries such as Vietnam, Malaysia needed to consider this course. Weisel suggested that work done during the FTA negotiations would help position Malaysia to join a high-standard agreement, and that the U.S. and Malaysia should continue with the plan agreed last summer to work on specific issues like government procurement and services which would further ready Malaysia to join a high-standard agreement. AUSTR Weisel emphasized that the TPP members envisioned this new regional agreement as a high-quality 21st century agreement that would seek to facilitate trade and create jobs through new approaches to issues.

¶3. (SBU) When Rahman said that MITI would need to get a better sense of what the TPP would require, Weisel explained that the TPP members had agreed on a process for consideration of new members. TPP members would provide briefings on TPP on the margins of the APEC trade ministers and leaders meetings for any interested APEC economies. In addition, interested countries are welcome to consult informally with current TPP members about the agreement and its objectives. If/when a potential new member is ready to engage in more formal discussions, it would contact New Zealand, as the depository for the TPP, which would notify other members. The current TPP members would then arrange a series of meetings with that country to review in detail the objectives of the agreement. The TPP countries would need assurance from any potential new member it is prepared to accept the objectives before they would agree to its participation. All decisions on new members are made by consensus of current TPP members. She discussed the U.S. decision to engage on the TPP and urged Malaysia to consider the initiative seriously, noting the "first mover" benefits.

14. (SBU) In a separate meeting on November 17, Ministry of Domestic Trade and Consumer Affairs Secretary General Zain told Weisel that Malaysia had already done a lot of work towards the goals of the original U.S.-Malaysia FTA. He said that the new competition policy law would likely be tabled in the parliament "early next year." Government-linked companies would not be exempted under the new law and the "competition commission" established by the law would be independent, with limited Ministry oversight. Reviewing Malaysia's progress in IPR reforms, Zain said that Malaysia was in the process of amending several acts, referring to the camcording law, and possible changes to the data exclusivity in pharmaceutical and medical product approval process. He said that Malaysia would meet the standards of what the U.S. had been seeking in our bilateral FTA by the end of 2010.

15. (SBU) Zain told Weisel that GOM was able to liberalize foreign investment rules because many "Bumiputra investors did not perform," and thus the ownership restrictions were not working for Malaysia. He said that the Prime Minister believes that foreign investment is a priority and therefore is willing to do away with most of the Foreign Investment Commission restrictions on local or Bumiputra ownership. Commenting on possible liberalization of government procurement, Zain noted that the domestic policy process for consideration of changes is proceeding, but of all the areas of economic policy reform, it was the most politically sensitive and "would not be an easy task."

KEITH